



September 24, 2010

U.S. Department of Health and Human Services
Centers for Medicare and Medicaid Services
Attn: OCIO-9989-NC
P.O. Box 8010
Baltimore, MD 21244-8010

Re: Planning and Establishment of State-Level Exchanges; Request for Comments Regarding
Exchange-Related Provisions in Title I of the Patient Protection and Affordable Care Act

Dear Sir or Madam:

I am writing on behalf of Molina Healthcare, Inc. (MHI) to offer comments in response to the "Planning and Establishment of State-Level Exchanges; Request for Comments Regarding Exchange-Related Provisions in Title I of the Patient Protection and Affordable Care Act." The proposed regulations were published in the *Federal Register* on August 3, 2010 (75 Fed. Reg. 45584).

Molina Healthcare, Inc. has 30 years of experience serving patients who have traditionally faced barriers to obtaining quality healthcare, primarily individuals covered by Medicaid, the Children's Health Insurance Program (CHIP) and other government-sponsored health insurance programs. Molina Healthcare's operations in California, Florida, Michigan, Missouri, New Mexico, Ohio, Texas, Utah, Virginia, Washington, and Wisconsin currently serve approximately 1.5 million low-income vulnerable Americans who otherwise would be unable to obtain health insurance coverage. We also serve as the fiscal intermediary for the Medicaid programs in New Jersey, Louisiana, West Virginia, Idaho and Maine covering another 2.8 million beneficiaries.

The Patient Protection and Affordable Care Act (PPACA) expands access to health insurance through the establishment of American Health Benefits Exchanges ("Exchange"). These state-based Exchanges create a marketplace for health insurance by offering a choice of plans, establishing common rules regarding the offering and pricing of insurance, and providing information to help consumers better understand the options available to them in the marketplace.

The PPACA also requires states to establish a state eligibility website to promote seamless enrollment in Medicaid, Children's Health Insurance Program (CHIP) or an Exchange-certified plan based on an applicant's income and eligibility status beginning in 2014.

Molina Healthcare offers the following recommendations to aid in the development of standards for establishment and operation of these Exchanges:

1. Optional Participation in Exchanges for Medicaid-only Health Plans

Medicaid health plans should be given the option to participate in state Exchanges without negatively impacting their ability to contract with a state to provide Medicaid benefits for eligible beneficiaries. Experts anticipate a large number of participants will move between the Exchange, Medicaid, and CHIP, and some suggest this movement may be more seamless if Medicaid-plans are participants in the Exchange.

Molina Healthcare focuses exclusively on serving a vulnerable population that relies on government-funded health programs. As such, we are better equipped to provide the specialized care and services the Medicaid and CHIP populations require. Should health plans with Medicaid contracts in a particular state be required to participate in the Exchange, many not-for-profit and Medicaid-specialized health plans like Molina (that do not offer commercial products) may be pushed from the marketplace as they may not be able to compete against larger, multi-line plans with significantly more experience and back-office capacity in the commercial market. As a result, the quality and continuity of care, and access provided to the Medicaid population may be jeopardized.

2. The Exchange Must be Responsible for Collecting Premiums

The PPACA requires that individuals and families with incomes between 133% and 400% of the Federal Poverty Level (FPL) receive federal tax subsidies to help them afford health insurance premiums purchased on the Exchange. These subsidies will be paid to the plans in which the individual/family enrolls.

As the Exchange will be integral in determining health plan eligibility (Medicaid, CHIP and/or Exchange), we believe it should also be responsible for collecting premiums for enrollments in Exchange-sponsored health plans from the federal government in the form of tax subsidies and from individuals/families in the form of premiums. This process will help decrease administrative costs for health plans, consolidate all premium collection responsibilities under one entity and help previously Medicaid-only focused plans like Molina (should we choose to participate in the Exchange) better compete with the larger commercial health plans with longer history and expertise in premium collection processes.

3. Individuals in the Exchange Must Have a Choice of Health Plans

One of the central tenets of health reform is that individuals be guaranteed a choice of health insurance plans. Market-based competition and choice are primary drivers of improvements in quality and service, which directly benefit members and indirectly result in cost savings to the health care delivery system. Surveys consistently show that a wider choice of health plans results in greater enrollee satisfaction. Existing state laws that limit choice in certain geographical areas should be revisited in 2014 so that all Americans – regardless of whether they get their health coverage through Medicaid, CHIP or the Exchange – are given the opportunity to select which health plans best meet their personal health needs.

4. The Exchange Should Act as a Market Organizer, Not a Selective Contracting Agent

The Exchange should contract with all health plans that meet nationally recognized regulatory and legal requirements. It should act as an objective, impartial source of information on health plans that are available in the market, provide structure to the market to help consumers compare plans and purchase coverage, and serve as a broker of health insurance by handling premium billing and collecting. The Exchange should not attempt to influence the market by advocating one plan over the other.

5. The Exchange Must Utilize Recognized Uniform National Quality Measures

Uniform standards of care and management are an important policy mechanism to improve quality of care. Inconsistencies in standards across states make it difficult to compare outcomes, whereas standardized measures and data allow for state, regional and national analyses. Further, inconsistent measures lead to higher administrative costs for multi-state health plans like Molina.

6. Exchanges Must Not Charge Fees on Government-funded Programs

State Exchanges are required to be self-funded and will be allowed to charge fees to participating health insurers to support operational costs. The PPACA does not place a limit on this fee; rather the law states that they should be “reasonable and fair.” Unlike commercial plans which will undoubtedly pass this cost on to the consumer, plans like Molina will be unable to do so. Ultimately, this recycling of taxpayer dollars will lead to higher costs. Applying such a fee onto government-sponsored programs will only add to the financial strain of states that are already cash-strapped.

7. The Exchange Must Utilize Uniform Federal Administrative Standards

Coordinated Eligibility and Enrollment Systems

The success of an Exchange will depend greatly on its ability to establish a streamlined enrollment and eligibility system that is seamlessly linked to Medicaid, CHIP or an Exchange-certified plan. The PPACA requires the federal government to establish a system that allows state residents to apply for “state health subsidy programs” which are broadly defined to include not only tax subsidies for private insurance, but coverage under Medicaid and CHIP programs as well. By 2014, individuals must be able to apply online for all three options using the same application.

Eligibility for state health subsidy programs should be determined annually and coordinated with similar eligibility periods for those individuals who receive tax subsidies to purchase insurance from an Exchange plan. The annual determination period will eliminate month-to-month churning of participants between fully subsidized state-based health plans and federal subsidized Exchange plans due to slight changes in an individual or family’s income. Additionally, the Medicaid open enrollment period in the States should coincide with that of the Exchange.

Molina supports the development of uniform federal administrative standards and model materials that states may adapt to their individual requirements to further reduce states’ resource burdens while meeting the needs of low-income individuals. We also support initiatives to ensure states are provided with adequate resources to perform necessary tasks.

8. Data Linkages between Federal and State Agencies

States are required to establish, verify and update eligibility for participation in Medicaid, CHIP or an Exchange-certified plan using data matching arrangements.

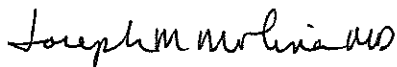
The challenges to establishing coordinated eligibility and enrollment systems through data matching are considerable, and states' readiness to meet these challenges varies. States will need to establish new linkages with the federal government for eligibility determination and verification among existing health subsidy programs.

The federal government can assist in many ways. First, it can establish uniform federal administrative systems for application forms and program interfaces that are built off available HIPAA standards. It can also provide models for content on state Medicaid and CHIP enrollment and eligibility websites. Lastly, the federal government should be mindful of ongoing resource challenges by providing assistance to the states to ensure implementation efforts are adequately funded.

These provisions offer incredible promise to the millions of Americans who are Medicaid eligible who are often overwhelmed by the complex application and enrollment process.

Thank you for your consideration. We appreciate the opportunity to comment on these important regulatory proposals.

Sincerely,

A handwritten signature in black ink, appearing to read "Joseph M. Molina MD".

J. Mario Molina, MD
CEO and Chairman
Molina Healthcare, Inc.